

B.11

CIRO, Marketplaces, Clearing Agencies and Trade Repositories

B.11.2 Marketplaces

B.11.2.1 Nasdaq CXC Limited – Proposed Change – Notice and Request for Comment

NASDAQ CXC LIMITED

NOTICE OF PROPOSED CHANGE AND REQUEST FOR COMMENT

Staff of the Ontario Securities Commission (**OSC**) are publishing this Notice and Proposed Changes and Request for Comment (**Notice**) regarding a proposal for a change in functionality, and the manner in which the associated fees are applied, to expand the eligible orders that a Midpoint Extended Life Order (**M-ELO**) can execute against to include certain Mid-Peg orders in Nasdaq CXC Limited's (**Nasdaq**) CXC Trading Book (**Proposed Change**).

A full description of the Proposed Change and Nasdaq's submissions on its rationale and expected impact are in the Notice. While comments are requested on all aspects of the Proposed Change, for the purpose of responding to Staff's request for specific comments below, Staff notes that a member choosing to enter a Mid-Peg order without a Post-Only parameter may receive a rebate or pay a fee depending on the order type against which it executes.

Staff request for specific comments

1. Fair access – how would the Proposed Change, which entails a passive Mid-Peg order paying trading fees or receiving a rebate depending on the type of the contra order it executes against, impact fair access to such participants?
2. Informational advantage – would the passive participant have an informational advantage over other market participants since they would have information about the type of the contra order it executes against, which is not available to other market participants?

Comments on this Notice should be in writing and submitted by June 16, 2025 to:

Trading and Markets Division
Ontario Securities Commission
20 Queen St. West, 22nd Floor
Toronto, ON
M5H 3S8
Email: tradingandmarkets@osc.gov.on.ca

And to:

Matt Thompson
Chief Compliance Officer
Nasdaq CXC Limited
25 York St., Suite 900
Toronto, ON M5J 2V5
Email: matthew.thompson@nasdaq.com

Comments received will be made public on the OSC website. Upon completion of the review by Staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Staff's review and the intended implementation date of the changes.

NASDAQ CXC LIMITED

**NOTICE OF
PROPOSED CHANGES AND REQUEST FOR COMMENT**

Nasdaq CXC Limited (Nasdaq Canada) has announced plans to implement the changes described below subject to regulatory approval. Nasdaq Canada is publishing this Notice of Proposed Changes in accordance with the requirements set out in the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits Thereto (Exchange Protocol). Pursuant to the Exchange Protocol, market participants are invited to provide the Commission with comment on the proposed changes.

Comment on the proposed changes should be in writing and submitted by June 16, 2025 to:

Markets and Trading Division
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S9
Email: tradingandmarkets@osc.gov.on.ca

And to

Matt Thompson
Chief Compliance Officer
Nasdaq CXC Limited
25 York St., Suite 900
Toronto, ON M5J 2V5
Email: matthew.thompson@nasdaq.com

Comments received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

NASDAQ CXC LIMITED

NOTICE OF PROPOSED CHANGES

DESCRIPTION OF PROPOSED CHANGES

The Midpoint Extended Life Order (M-ELO) is a non-displayed order supported on the CXC Trading Book (CXC) that rests at the midpoint of the NBBO. Unlike a Mid-Peg order, a M-ELO Order must meet a minimum resting time requirement in the order book before it becomes eligible to trade ("Minimum Resting Time" or "MRT"). An execution between two M-ELO Orders will only occur after each M-ELO Order has met the MRT. Today M-ELO Orders are only eligible to trade against other M-ELO Orders – they will not interact with other Mid-Peg orders in the CXC Trading Book.

Nasdaq Canada is proposing to expand the eligible orders that M-ELO Orders can execute against by permitting Mid-Peg Orders that have been posted at the midpoint of the NBBO for the Minimum Resting Time (the MRT is 10ms today) to also be able to interact with M-ELO Orders ("Proposed Change"). Mid-Peg Orders will continue to interact with other Mid-Peg Orders first before interacting with M-ELO Orders. In addition, if there are two or more Mid-Peg Orders in the order book that are eligible to trade with a M-ELO Order after the M-ELO Order meets the MRT and becomes available to trade, these orders will be matched in the sequence of time priority – the Mid-Peg Order that was entered first will be given matching priority.

With the adoption of the Proposed Change, all Mid-Peg Orders will be eligible to match with M-ELO Orders after they have been posted at the midpoint of the NBBO for the duration of the MRT. However, should a Member want to opt-out of interacting with M-ELO Orders, they can do so by entering the Mid-Peg Order with a Post-Only condition. Only non Post-Only Mid-Peg Orders and M-ELO Orders will be eligible to match with M-ELO Orders. Dark Orders entered on CXC with a limit price that is at, or becomes the same price as the midpoint of the NBBO (for example a limit price of \$10.01 when the NBBO is \$10.00 – \$10.02) will not be eligible to trade with M-ELO Orders.

All trades between M-ELO Orders and Mid-Peg Orders will be identified on the CXC Market Data Feed as M-ELO trades and the M-ELO trading fee schedule will apply to these trades.

EXAMPLES

For each example below the NBBO is \$10.00 – \$10.01, all Mid-Peg Orders are entered without a Post-Only condition and all orders are entered on the CXC Trading Book.

EXAMPLE 1: Mid-Peg Order Fully Executes Against a M-ELO Order

Order Number	Order Type	Side	Order Qty	Order Price	Order Time
1	M-ELO	S	100	\$10.005	T

Actions:

1. A Mid-Peg Order is entered to buy 100 shares @ \$10.005 at time T+5ms (Order #2)
2. Order #1 becomes eligible to trade at T+10ms
3. Order #2 becomes eligible to trade against M-ELO at T+15ms
4. At time T+15ms Order #2 matches with Order #1 for 100 shares at \$10.005

EXAMPLE 2: Multiple Mid-Peg Orders Execute Against M-ELO and Mid-Peg Orders

Order Number	Order Type	Side	Order Qty	Order Price	Order Time
1	M-ELO	B	10,000	\$10.005	T
2	M-ELO	B	10,000	\$10.005	T+1s

Actions:

1. Order #1 becomes eligible to trade at T+10ms
2. Order #2 becomes eligible to trade at T+1.01 s
3. A Mid-Peg Order is entered to sell 5,000 shares @ \$10.005 at time T+2s (Order #3)

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4. Order #3 becomes eligible to trade at T+2.01s
5. Order #1 matches with Order #3 for 5,000 shares at 10.005

Order Number	Order Type	Side	Order Qty	Order Price	Order Time
1	M-ELO	B	5,000	\$10.005	T
2	M-ELO	B	10,000	\$10.005	T+1s
4	Mid-Peg	B	10,000	\$10.005	T+3s

Actions:

6. A Mid Peg Order is entered to sell 10,000 shares @ \$10.005 at time T+4s (Order #5)
7. Order #4 matches with Order #5 for 10,000 shares at 10.005

EXAMPLE 3: Multiple M-ELO Orders Execute Against Multiple Mid-Peg Orders

Order Number	Order Type	Side	Order Qty	Order Price	Order Time
1	Mid-Peg	B	10,000	\$10.005	T
2	Mid-Peg	B	10,000	\$10.005	T+1s

Actions:

1. Order #1 becomes eligible to trade against M-ELO orders at T+10ms
2. Order #2 becomes eligible to trade against M-ELO orders at T+1.01s
3. A M-ELO Order is entered to sell 5,000 shares @ \$10.005 at time T+2s (Order #3)
4. Order #3 becomes eligible to trade at T+2.01s
5. Order #1 matches with Order #3 for 5,000 shares at 10.005

Order Number	Order Type	Side	Order Qty	Order Price	Order Time
1	Mid-Peg	B	5,000	\$10.005	T
2	Mid-Peg	B	10,000	\$10.005	T+1 s

Actions:

5. A M-ELO Order is entered to sell 10,000 shares @ \$10.005 at time T+3s (Order #4)
6. Order #4 becomes eligible to trade at T+3.01s
7. Order #1 matches with Order #4 for 5,000 shares at 10.005
8. Order #3 matches with Order #4 for 5,000 shares at 10.005

EXAMPLE 4: Mid-Peg Order Executes Against another Mid-Peg Order Entered after a M-ELO Order

Order Number	Order Type	Side	Order Qty	Order Price	Order Time
1	Mid-Peg	B	10,000	\$10.005	T

Actions:

1. A M-ELO Order is entered to sell 1,000 shares @ \$10.005 at time T+5ms (Order #2)
2. A Mid-Peg Order is entered to sell 100 shares @ \$10.005 at time T+10ms (Order#3)

3. Order # 3 matches with Order # 1 for 100 shares at \$10.005
4. Order #2 becomes eligible to trade at T+15ms
5. Order #2 matches with Order #1 for 1,000 shares at \$10.005

Expected Date of Implementation

The Proposed Change will be introduced after regulatory approval has been received.

Rationale and Relevant Supporting Analysis

The Proposed Change is being made to provide M-ELO Orders access to an additional source of liquidity while continuing to ensure that the trading objectives of M-ELO Orders are met. M-ELO Orders are designed to attract and unite counterparties with longer-term investment horizons. By de-emphasizing speed and immediacy, M-ELO Orders facilitate long-term trading strategies by reducing opportunities for latency arbitrage and adverse selection for non-latency sensitive participants. These objectives are achieved through the requirement for M-ELO Orders to meet a Minimum Resting Time before they are eligible to trade. By permitting Mid-Peg Orders to also become eligible to trade against M-ELO Orders after they meet the same Minimum Resting Time period, M-ELO Orders will be able to source additional liquidity on CXC while continuing to mitigate against latency arbitrage opportunities and adverse selection.

The Proposed Change is also being made to provide Members using Mid-Peg Orders access to an additional liquidity source while not interfering with their trading objective and the option to trade immediately. With the Proposed Change a user of a Mid-Peg Order will continue to be eligible for immediate execution at the midpoint of the NBBO upon order entry. However, with the introduction of the Proposed Change the user will also gain access to trade against available M-ELO Orders after they have met the MRT.

Members using both Mid-Peg and M-ELO Orders will be able to source liquidity at their intended execution price (the midpoint of the NBBO) and in turn will help achieve better trading outcomes and trading objectives.

Expected Impact on Market Structure

The Proposed Change will increase trading opportunities for Members by expanding access to liquidity that is not available today. This in turn will facilitate trading strategies and improve trading performance. By permitting the interaction of Mid-Peg Orders with M-ELO Orders users of both order types will be provided with more opportunities to trade. More opportunities to trade in turn will increase Member execution rates and improve trading performance.

The Proposed Change will also result in potentially lowering trading fees for users of Mid-Peg Orders. Active trading fees for hidden liquidity on CXC are substantially higher than the trading fees (pay-pay fee model) for M-ELO Orders. If a Mid-Peg Order that otherwise would incur a high active trading fee (which all users are willing to pay by the fact they have entered a Mid-Peg Order) trades against a M-ELO Order it will result in a lower trading fee and in turn lower the trading costs of these trades. The possibility of lowering fees will be provided to any user of a Mid-Peg Order that enters an order without a Post-Only condition today as they are willing upon order entry to remove liquidity and pay the active fee. For any Member that wants to forego immediate execution for the possibility of receiving a rebate they can enter a Mid-Peg Order with a Post-Only Parameter.

Expected Impact on the Exchange's Compliance with Ontario Securities Law

There is no expected impact on Nasdaq Canada's compliance with Ontario Securities Law.

a) Fair Access

The Proposed Change will not impact Nasdaq Canada's compliance with the fair access requirements of National Instrument 21-101. With the adoption of the Proposed Change, all Members will continue to be afforded an equal opportunity to use both M-ELO Orders and Mid-Peg Orders on the same basis. While Members using Mid-Peg Orders will now be provided the benefit of accessing M-ELO Orders automatically after these orders have met the MRT, Members will still be able to opt-out of this change by using a Post-Only Condition with their Mid-Peg Orders. Consequently, the use of Mid-Peg Orders and M-ELO Orders is completely optional and users of Mid-Peg Orders today will be empowered to accept the Proposed Change or opt out of it at their own discretion.

b) Maintenance of a Fair and Orderly Market

The Proposed Change will create efficiencies that will help support a more fair, orderly and competitive market. The Canadian equity market is fragmented by both the number of different trading venues and the different pools of liquidity domiciled within a trading venue. The Proposed Change will provide Members using M-ELO Orders and Mid-Peg Orders the ability to source and trade against another set of order flow with a similar execution objective – to trade at the midpoint. This in turn will result in greater trading opportunities and better execution outcomes.

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Consultation and Review

Consultations were undertaken with Members using Mid-Peg Orders and M-ELO Orders. Both constituents realized the efficiencies that would be created from the Proposed Change and in turn expressed their support for the Proposed Change.

Estimated Time Required by Subscribers and Vendors (or why a reasonable estimate is not provided)

There is no additional work required by Members to be made to their systems to accommodate the Proposed Change.

Will Proposed Fee Change or Significant Change introduce a Fee Model or Feature that Currently Exists in other Markets or Jurisdictions

Yes. The M-ELO Order type is also supported on Nasdaq in the United States and M-ELO orders on that exchange are able to interact with orders in the Continuous Order Book.

Any questions regarding these changes should be addressed to Matt Thompson, Nasdaq CXC Limited: matthew.thompson@nasdaq.com, T: 647-243-6242

Appendix A

Text of the Public Interest Rule Change to Nasdaq Canada Trading Rules and Policies

1.1 Definitions and Interpretation

CXD Conditional Order Book	A facility of the CXD Trading Book accepting IOC, CXD and XFT Conditional Orders
CXD Conditional Order Minimum Order Size	The minimum order size required for a CXD Conditional Order to be accepted by the Exchange.
CXD Connect	A service providing Members the option to have CXD Connect Orders interact with orders on the CXD Conditional Order Book.
CXD Connect Eligibility Criteria	An Order entered on the CXD Trading Book meeting the following conditions: <ul style="list-style-type: none"> The order must be priced at the midpoint of the NBBO or better (higher than the mid-point in the case of a buy order or lower than the midpoint in the case of a sell order); A Member must opt-in on an order-by-order basis or by using a default setting at the port level that will apply to all orders meeting the CXD Conditional Order size entered from that port; The remaining order quantity must meet the CXD Conditional Order Minimum Order Size.
CXD Connect Order	An Order that meets the CXD Connect Eligibility Criteria.
PureStream Connect	A service providing Members the option to have CXD Conditional Orders seamlessly interact on both PureStream and the CXD Conditional Order Book on an order-by-order basis.
XFT Minimum Order Size	The minimum order size required for an XFT Order to be accepted by the Exchange.

5.6.1 Order Types

ORDER TYPE	DEFINITION
CXD Conditional Order	"CXD Conditional Order" means an order entered on the CXD Conditional Order Book that meets the CXD Conditional Minimum Order Size and has a conditional execution order attribute.
XFT Conditional Order	"XFT" means an order entered on the CXD Conditional Order Book that meets the XFT Conditional Minimum Order Size and has a conditional execution order attribute that provides a longer time to respond to a firm-up request.

5.7.3 CXD Book

CXD is a dark book with matching based on price/broker/time priority. Orders entered on CXD that do not meet the minimum size requirements as defined by UMIR must provide incoming orders with minimum price improvement.

CXD Orders are attributed by default and are automatically eligible for broker preferencing. Members may not opt-out of broker preferencing for attributed orders.

Anonymous orders are eligible for broker preferencing. Jitney orders are not eligible for broker preferencing.

CXD supports Board Lot, Mixed Lot and Odd Lot orders.

CXD supports PureStream Orders where pairing priority is based on Broker/LTR/Size/PureStream Limit Price/Time. Only Board Lots can be entered as PureStream Orders.

CXD supports CXD and XFT Conditional Orders where matching priority is based on Broker/Size/Time.

CXD supports CXD Connect where Members can elect to have orders meeting the CXD Connect Eligibility Criteria entered on CXD interact with the CXD Conditional Order Book.

CXD supports PureStream Connect where Members can elect to have orders entered on the CXD Conditional Order Book to interact with PureStream Orders.